The Daily Journal
GCs Slow to Turn to LPOs but In-house Attorneys Overwhelmingly Expect Outsourcing Industry to Grow in Next 5 Years
By Caitlin Johnson
February 7, 2014

With general counsel facing increasing regulatory oversight and data-security risks, many in-house counsel are still wary of turning to legal process outsourcing or other non-law firm providers for services. But nerves have thawed a bit in the United States and among larger companies, according to two recently released surveys.

One report, released Thursday by U.K.-based magazine Legal Business and the Clutch Group LLC, which provides legal process outsourcing, surveyed 200 senior in-house attorneys in the United States, United Kingdom and Asia. It found that while only 14 percent of respondents use non-law firm providers on a frequent basis, 80 percent of corporate counsel surveyed said they expect to see the legal process outsourcing, or LPO, industry expand and improve its services over the next five years.

A large slice of this growth will stem from service providers working directly with corporations to manage legal and business problems by "identifying the signal out of the noise" of data, said Varun Mehta, vice president of legal and compliance solutions at Washington, D.C.-based Clutch Group, an LPO that works almost exclusively with corporate clients. He noted that it is about changing how work is done, rather than just shifting it to more cost effective centers.

"General counsel are looking for new ways to work, engage and solve the problems of their business," he said. Compared to five years ago, "87 percent find it more difficult to manage legal risk related to company data in today's environment."

Some in-house counsel already work directly with non-law firm providers on investigations, due diligence, general litigation support and e-discovery. Companies in the U.S. have been quicker to adopt such practices, according to the survey, with 50 percent of respondents in the U.S. saying they had used LPOs for legal work compared to 38 percent in the UK.

Another study, by the Association of Corporate Counsel, found that larger law departments also work directly with non-law firm providers on a more frequent basis.

The ACC Chief Legal Officers 2014 Survey, released in January, reported that 33 percent of companies with $4 billion in revenue outsourced e-discovery to on-shore LPOs, compared to 18 percent of companies with less than $25 million in revenue.

"LPOs are a pretty standard feature for the larger [corporate] law departments," said Amar Sarwal, vice president and chief legal strategist for the ACC. "The companies that have hundreds of millions of dollars of litigation can't just rely on law firms or they're going to going pay so much money they'll be bankrupt."